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JUNE 20–22, 2013**

**Russia's New Horizons  
THE CUSTOMS UNION AND THE CES: STATUS AND FUTURE  
DEVELOPMENTS  
Briefing**

**JUNE 21, 2013  
11:45–13:00, Pavilion 4, Mercedes-Benz STARBAR**

**St. Petersburg, Russia  
2013**

**Moderator:**

**Alexander Shokhin**, President, Russian Union of Industrialists and Entrepreneurs

**Panellists:**

**Valery Koreshkov**, Member of the Board of Technical Regulation, Eurasian Economic Commission

**Andrei Slepnev**, Member of the Board on Trade, Eurasian Economic Commission

**Timur Suleimenov**, Member of the Board of the Economic and Financial Policies, Eurasian Economic Commission

**Front row participants:**

**Igor Finogenov**, Chairman of the Management Board, Eurasian Development Bank

**Reiner Hartmann**, Chairman of the Board, Association of European Businesses in the Russian Federation

**Andrei Reus**, General Director, Eurasian Center for Integrative Studies

**Igor Yurgens**, Chairman of the Management Board, Institute of Contemporary Development; President, All-Russian Union of Insurers

## **A. Shokhin:**

Please take your seats.

The topic of our briefing is 'The Customs Union and the CES: Status and Future Developments'. Initially, the briefing had a different name: 'Everything You Wanted to Know but Were Afraid to Ask the Ministers of the Eurasian Economic Commission'. But the Forum organizers would not let us put this on the agenda: they said the ministers do not scare anyone enough to keep them from asking direct questions.

I am not entirely clear on the difference between a panel discussion and a briefing, so please correct me if I veer into a format my Eurasian Economic Commission colleagues had not planned for.

We began to design the advisory procedure at the end of last year, although we had signed an agreement to create the Advisory Committee linking the Eurasian Economic Commission with the leading business associations of our three countries right here, exactly a year ago, on June 15, 2012. The first meeting of this Advisory Committee took place in March of this year during Russian Business Week. We agreed that we would try to meet three times a year to discuss general issues that are of equal interest to the business communities and the governments of our three countries, and to the Eurasian Economic Commission. I do not know whether today's briefing qualifies as one of these meetings, but we can definitely look at it as a warm-up before the Advisory Committee. It is crucial that we evaluate the effectiveness of the Advisory Committee and the advisory boards that exist within each department of the Eurasian Economic Commission, and figure out whether we need any additional mechanisms for cooperation between the business community and the state.

Here is how we will proceed. First, I will ask our three ministers, Timur Suleimenov, Valery Koreshkov, and later, Andrei Slepnev, to characterize the key challenges of working with the business community. As I understand it, Andrei Slepnev is currently speaking at the WTO session, and will join us once he is finished. Please describe the most striking challenges – and I would like you to talk specifically about

challenges, not provide an account of the work which has been done – that we encountered last year and in the first half of this year. I would like to get your opinion on the progress being made towards implementing agreements in the financial sector and on technical regulations.

Mr. Suleimenov, please go ahead.

**T. Suleimenov:**

Thank you very much, Mr. Shokhin.

Good morning, colleagues. It is a great honour to be here, to respond to questions that regularly come up for the business community, and to talk about those aspects of our work that deal with cooperation with the business community.

Let us immediately move on to specifics, since you are all quite familiar with the Customs Union and Common Economic Space in terms of their work to facilitate trade growth and ensure a healthy mutual trade structure. I will address the issues facing the business community.

First, let me clarify what the Eurasian Economic Commission does. The Eurasian Economic Commission has three main functions. The first function is to exercise the authorities which have been transferred from the national to the transnational level. These include, first and foremost, introducing a unified customs tariff and implementing coordinated trade and technical regulation policies: in other words, authorities which can no longer be exercised by each individual government, and which require a unified transnational regulatory body.

The second function is to maintain and protect the present level of integration and cooperation, which is to say, to monitor the fulfilment of mutual commitments by the member countries. This is an extremely important function, since none of these commitments are fulfilled completely due to issues of national regulatory legislation and law enforcement. We are tasked with identifying, analysing, and solving these issues. To achieve this, we use such tools as mandatory notifications sent to national governments with a request that they correct the situation, and a warning of possible legal proceedings through the court of the Eurasian Economic Community.

The third function of the Eurasian Economic Commission is to promote integration: in other words, to develop the policies which will address the grey and black areas of our economic relations.

The Committee has specific regulatory and legislative functions. Its work is a challenge for the business community, since the old mechanisms for cooperation between the business community and the state no longer work. While Kazakhstan had a mandatory system for receiving an opinion from accredited entrepreneurial associations, the Committee currently has no such procedure. While Russia had a reputable organization evaluating the effects of regulation, the Committee is only just now building a similar organization. Therefore, the first challenge, which we are well aware of, is the need to ensure that our activities are transparent. Since we have this authority, we must regulate the business world, and create obligations, but also take on responsibilities. We must act in a way that will have the lowest impact on business in terms of finances, human resources, and paperwork.

It was absolutely fair to note that we must broaden this dialogue; we must actively cooperate with the business community through all 18 or 19 advisory boards functioning within the Commission; and we must formalize this cooperation at the time of drafting legislative and regulatory bills. I think that what we need to do is to systematically implement a mechanism for assessing regulatory impact, and ensure that this is backed up by regulations. This way, the business community will know ahead of time what it will be facing, and how and to what extent various spheres will be regulated; and will be able to advise us, as a regulatory body, on how to act more quickly and effectively. As far as general systemic measures are concerned, we are currently in the process of intra-committee harmonization. We expect the Eurasian Economic Commission's Board to issue a corresponding decision by the autumn, and we will begin to use this tool.

The financial markets, which I currently supervise, represent an interesting area of our countries' economies. What makes them interesting is that they are always extremely sensitive to the economy, since finance is the circulatory system of any economy. On the other hand, if there is political will, financial markets allow us to do

certain things much faster than we can do them in other spheres, because financial products are more or less standardized. Credit is always credit, regardless of whether it was issued in Minsk, Moscow, or Astana. Prudential norms, sufficient capital, and so on, follow a specific formula, a unified set of terminology. Therefore financial markets are where we can, and must, take significant and decisive steps.

We define financial markets as the banking and insurance sectors, as well as the securities markets. We have a number of agreements, both as part of the Eurasian Economic Community and as part of the Common Economic Space. So far, however, they are all declarative in nature, rather than applied. Just the other day, we drafted an agreement regulating requirements for operations on the financial markets. Implementation of this agreement will begin a step-by-step process of coordinating, harmonizing, and in some cases unifying our financial legislation, in order to provide – we are preparing for the worst, but hoping for the best – cross-border recognition of licences and other regulatory documentation by 2020, as well as mutual non-discriminatory access, thereby creating a unified financial market.

We also began, along with regulatory bodies and with the three member states, to seriously consider at what stage we will need to create a transnational regulatory body. We can use the experience of the European Union, which plans to form the Banking Union around the same time, and to transfer a great number of supervisory and control functions to the European Central Bank. We are watching this process carefully, and will consider the issue through the prism of the European Union's existing experience.

As far as cooperation with the business community goes, the Financial Markets Committee of the Eurasian Economic Commission will meet in Almaty on June 24. We have invited agencies, member states, and financial associations, and we plan to take a rough look at the functions that might be transferred to the transnational financial regulatory body by 2015, given the political will.

That is all I wanted to say during the time allotted to me. But I am ready to offer more detailed explanations and answers.

**A. Shokhin:**

We have prominent entrepreneurs here with us today. The point of this briefing is for the business community to pose questions to ministers. Today, you can also pose questions to the Commission Chair, who is here not just to listen to his ministers and oversee their answers, but also to talk about the future of our cooperation with the business community. I would like to go directly to my colleagues in the front row. Igor Yurgens, in June you were elected President of the All-Russian Union of Insurers, and the Russian Union of Industrialists and Entrepreneurs appointed you Chair of its Insurance Committee. Could you talk a bit about the insurance industry?

**I. Yurgens:**

First, let us look specifically at insurance. We have three markets. They are highly synergized, since we have been working together for as long as insurance services have existed in our countries.

Simple reinsurance, which falls within our purview, is complicated by the fact that Belarus, Kazakhstan, and Russia prohibit each other from acquiring reinsurance from companies without an AAA rating. But the only players on our market with the AAA rating are companies like Munich Re, which eat up all the money. Therefore, the simple solution we can discuss here is to lower the excessive reinsurance standards: this would greatly boost capacity within our three countries. This issue relates exclusively to the Insurance Association and the regulator, and we do not need to wait until 2015.

I would like to ask Mr. Shokhin and you to consider allowing us to prepare an analysis of the state of our insurance markets, in order for this synergy to continue at a more directed pace. We have just ended an insurance conference involving our three countries, three insurance associations, and three regulatory bodies. On some issues, we can move more decisively towards 2015. If Russia joins the Organization for Economic Cooperation and Development next year, our insurance industry will be subject to Solvency II and Solvency III, similar to Basel I, Basel II, and Basel III.

At that point, we will begin to overtake Belarus, which will cause certain discrepancies.

Now, for my second specific question and suggestion. You said that financial experts and regulators will gather in Astana. Could our three insurance associations – Belarusian, Russian, and Ukrainian – take part in compiling a list of measures that could be implemented at the regulatory level, without the need for legislation?

And lastly, this request is not so much from the insurance industry as from the business community, or even from political analysts. We implore you not to rush into an expansion of the Eurasian Union. We are constantly hearing that Kyrgyzstan will be next, followed by Tajikistan, and so forth. We will be repeating the European Union's mistake if we extend membership to countries which are not ready to give up their sovereignty, and which exist on an economic level incompatible with that of the original three members. Still, political will is used with increasing frequency, and we understand that this is related to pressure from China, the EU, and America. Let us not rush into this. I am speaking to all three ministers, but mostly to the Chairman of the Eurasian Economic Commission's Board. I know the difference between political necessity and advice from outsiders. Our advice is that we really want to avoid repeating the mistakes of the EU, which extended membership to Greece, and was then forced to rescue it. Thank you very much.

**A. Shokhin:**

As I understand it, the philosophical question about expansion was addressed to Viktor Khristenko.

**V. Khristenko:**

We have one example, one template: the European Union, the world's only advanced integrated entity. We are closely following what has happened in the EU, and what is happening now. In some respects, we are moving down the same road, but with some distinctions. There are at least two distinctions. Times are different now: for various reasons, things that took a long time before can now be done



faster. We have no intention of repeating other people's mistakes. I have gone on record many times as saying that the EU's biggest mistake was to switch from pragmatic and economic priorities to political ones – to trade depth for breadth – during a period of calm, stable economic growth. Political ambitions won out and began to dominate, and this systemic mistake is currently pushing the EU to quickly add the new regulations it needs to function stably, or to develop. These regulations are accompanied by very sporadic, dubious decisions, like Cyprus, for example, which further damage the integration model itself. We have no desire to repeat these mistakes.

On the other hand, we work deliberately with countries which express a desire for enhanced cooperation with the Customs Union. Kyrgyzstan is working on joining the Customs Union and addressing a set of agreements related to the Customs Union's operations: not the entire range of Customs Union agreements, but the Customs Union format. Systematic work is being conducted, not only in the regulatory sphere, but also in terms of the infrastructure required for the norms, rules, and institutions of the Customs Union to function in Kyrgyzstan. This includes customs, veterinary, and sanitation infrastructure. By the end of the year, the presidents will sign a roadmap for including Kyrgyzstan in the Customs Union. I do not expect the integration period to last very long; however, it will require an intensive system to cover the risks that have already been identified.

As far as other countries are concerned, our work with them is built on safeguarding relations and promoting cooperation in such a way that the creation of a transnational body governing the three countries will not damage long-standing bilateral relations between Ukraine and Kazakhstan, Belarus, and Russia, and so forth. We have begun corresponding trade and technical regulation dialogues; we have signed a top-level document that defines the long-term goals related to Ukraine becoming an observer of the Eurasian Economic Community, and when possible, to Ukrainian representatives sitting on the bodies of the current Customs Union and the Common Economic Space. We listen, we think, and only then do we act.

**A. Shokhin:**

Igor Finogenov, please go ahead.

**I. Finogenov:**

I have a practical question. When will we be able to stop buying car insurance to cross the Russia–Belarus border? When will we be able to create a system that would allow the two countries to recognize each other's insurance?

**T. Suleimenov:**

I am happy to hear this question, because we will be discussing this issue in Almaty on June 24. Mutual insurance policy recognition is very important. While financial integration is still a matter for the future, the issue of recognizing foreign insurance policies has nothing to do with the financial system. It is a simple question of moving goods and people, which goes back to the foundations of the Customs Union: the free movement of goods. There are international institutions and systems like the International Motor Insurance Card System. But the challenge lies in finding a trilateral solution without the use of international tools that have to be purchased every time. We must ensure that Compulsory Motor Vehicle Liability Insurance or its Belarusian counterpart will cover liabilities in all three countries. We will be discussing this question, and we would like to hear suggestions from the financial community.

As for lowering the ratings, this is related to the issues of information exchange and unified rules, for example Europe's Single Rulebook. AAA is the globally recognized quality rating that comes with established requirements. We know that we can trust AAA-rated companies with reinsurance. If our regulatory body knew more about the methodologies and requirements that other regulatory bodies in Moscow or in Astana apply to specific reinsurers, then we would no longer need these ratings. By promoting information exchange and a single set of requirements for all three

member countries, we can disregard requirements set up for other nations. We are working on it, and the solution lies in this direction.

**A. Shokhin:**

Thank you. Vladimir Salamatov has a question.

**V. Salamatov:**

Before the St. Petersburg International Economic Forum, we had a meeting with various Russian manufacturing associations. Many questions were raised during this meeting. I would like to ask two of these questions on their behalf.

We know that last year, the number of companies in Kazakhstan grew by 5.7%, while in Russia the business community grew by only 0.6%. In the meantime, 9,286 new Kazakh companies have been established with the help of Russian capital during the last two years. Can you tell us whether competition between jurisdictions is a Eurasian Economic Union policy, or simply part of the move towards creating the Common Economic Space and the Eurasian Economic Union? That is my first question.

My second question is also, I believe, a matter of principle and a complex issue. The formation of the Eurasian Economic Union requires 'four freedoms'. We have quite a large number of exemptions. Tatyana Valovaya said that a 'White Book' would be created. I would like to ask a simple question that that really bothers our manufacturers: when will foreign banks be able to open branches in Eurasian Economic Union member countries? Thank you.

**T. Suleimenov:**

Thank you very much. To answer your first question, competition between jurisdictions, like any other competition, is a good thing. We must incorporate each other's best practices, and strive for more than movement of capital, labour, and investment within the Union: we must attract global capital and international

investment. As we compete with each other, we hone the skills we will use in competition with other countries. So this is a great thing.

Much has been said about different tax rates. In my opinion, tax policies are an issue of sovereignty for the European Union and other similar entities. The countries are not ready to share control in this sphere. In the end, we will probably have a situation where indirect taxes – those that have the biggest impact on trade, such as excise duties and VAT – are set within a mutually acceptable range. But taxation of small and medium-sized business and taxation of subsoil developers will always remain within each nation's own purview and jurisdiction.

The goal of each government is to balance its fiscal interests and its budget, and to support the economy. We have often talked about changing tax rates for small and medium-sized companies. Between 400 and 500 Russian individual entrepreneurs will go out of business. The Commission can do nothing about this: this is up to the government and the parliament of one of our member countries. We must understand that some people can decide to move to another country using the freedoms we have set up, and we must take this into account as we prepare our analysis prior to adopting this decision. I believe competition is a great thing. We should not be afraid of it; rather, we should learn from each other and avoid repeating other people's mistakes.

As for when foreign banks will be able to open branches here, that is an interesting question. First of all, Russia has made no such commitment. It is possible that Kazakhstan will make this commitment: based on the current agreements, it will go through a transitional period, during which foreign banks will open branches. We have to decide whether we should harmonize these policies. Could a Citibank branch open in Astana, Kazakhstan, but not in neighbouring Omsk, which is 150 kilometres away? As I understand it, there are no plans to do this in Russia, but Kazakhstan is looking at moving in this direction over a six- or seven-year period. As to our banks opening local headquarters, this goes without saying, and we must move towards this goal. That is a requirement for any unified financial market.

**A. Shokhin:**

Colleagues, do you have any other questions for Mr. Suleimenov?

**A. Kudasov:**

Anton Kudasov, Deputy Minister of Economy of Belarus.

Mr. Suleimenov, we have a year from today to prepare a Eurasian Economic Union agreement. All three states have roadmaps for improving business conditions. I am using the Russian name, but Kazakhstan and Belarus also have similar agreements backed up by regulations. Our draft agreement does not have the same elements as the roadmaps. They are used indirectly, in the definition of the four freedoms: the free movement of goods, services, capital, and labour. Why not incorporate the main provisions set out in the roadmaps directly into the agreement? Take, for example, the main provisions: support for exports and simplification of trade procedures. Yesterday, I attended a very interesting session which presented an evaluation of how much simplifying trade procedures can benefit us in terms of global trade: the effect is huge. This kind of agreement would seem to be better targeted at the business world. This leads me to a practical question: why not incorporate export support mechanisms into the Eurasian Economic Commission's agenda, and foster competition between these mechanisms? That way, the business community would be equipped with both national and transnational tools. I am talking about the entire range of tools, including financial, political, and diplomatic. Thank you.

**A. Shokhin:**

Actually, we are here to give the business community, not state officials, an opportunity to talk to the Eurasian Economic Commission ministers. So please keep your answer short.

**T. Suleimenov:**

This is incorporated into the direct or indirect set of tools available to the Commission. The Customs Code, and questions of tariff and non-tariff regulations which impact exports and imports, fall under our purview. This means we can decide whether this will be codified legislation, or a document similar to the Customs Code. We will introduce an entire set of amendments to the Customs Code, lowering administrative pressure, the number of documents, and so forth. So this component is being implemented in all three countries, because we must minimize references to national legislation.

As far as export support tools are concerned, the European Union has a powerful tool for attracting new members and retaining existing ones: its budget is used to support exports and small and medium-sized companies. Until we establish ourselves as an entity under international law, until we have a budget, our transnational regulatory body can only achieve certain things through legislation or through suggesting that the governments introduce the appropriate regulations. I agree that we have to think about this and apply successful European practices. Thank you.

**A. Shokhin:**

Now I would like to yield the floor to Valery Koreshkov.

**V. Koreshkov:**

Thank you, Mr. Shokhin.

Good day, colleagues, and thank you for attending the briefing.

Today, we are actively working to develop and review the requirements necessary to implement the four freedoms. This involves, first and foremost, movement of goods, which demands that we revise the functions and requirements currently in effect in the Customs Union.

One of the most important questions we have encountered in our work with the business community is to define what is subject to technical regulation. At first, virtually every union and every association suggested its own directions and

regulations. But then they realized that this was no way to approach the issue, and regulations could not cover everything. Once they understood that some things had to take priority, they defined 66 areas of regulation, and they have not tried to increase its scope. They are very realistic about the need to develop regulatory documentation within the established framework that would address the requirements we have set.

The second issue is the development of requirements. The main documents define the compulsory requirements for various product groups: they include safety, product compliance confirmation, product labelling, and specific issues related to meeting consumer needs, energy efficiency requirements, and so forth. A question came up as to which requirements we could use as the basis for our work. In cooperation with the business community, we looked at the European Union's actions; we analysed what our colleagues are doing. We discovered both positive and negative elements. We could not repeat their mistakes. As a result, we took a very differentiated approach to various issues.

We organized our priorities based on international requirements issued by such organizations as the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the International Organization of Legal Metrology (OIML) which issues metrology harmonization requirements, and the International Telecommunication Union (ITU). Next, we examined the best regional documents that could help us solve our issues. These included documents issued by European organizations, regional standardization organizations operating within the CIS, and the Interstate Council, as well as the best national councils operating in our countries. At first, there was some level of jealousy: each organization thought its documents were the best, and wanted them to be implemented. In the end, we agreed to use the best ones: in other words, the ones that are in step with market demands.

It was crucial for us to address the issue of cooperation with the business community. The business community got actively involved in this work right from the start. At first, things were quite chaotic. But today, we have an Advisory Committee

and various subcommittees, which include members of the business community and representatives of various associations. We have three organizations actively working in this field: the Atameken Union, the Russian Union of Industrialists and Entrepreneurs, and the Belarusian Union of Entrepreneurs and Employers. They gave us recommendations regarding which experts we could trust.

It is not easy to work with a large number of opinions and experts: this complicates the harmonization and decision-making process. Still, it is a useful mechanism, since it allows us to conduct a comprehensive evaluation of how documentation, manufacturing parameters, and so forth, will work.

Of course it is impossible to take into account every suggestion. Some countries are more ready than others to work on various issues, and this forces the Board and the Council to make important decisions that define the parameters which will ensure the safety and competitive edge of products, and affect exports. We had to use differentiated values for certain factors. For example, the regulations as a whole came into force on July 1, 2012, while regulations dealing with two specific factors will go into effect three years later. This allows the manufacturing industry to prepare for a deliberate transition to these factors, taking into account technological production capacities.

Our work in the sphere of technical regulation and compliance confirmation, primarily by means of declaration, is extremely important. Now, the manufacturer or the supplier bears greater liability, but the compliance confirmation procedure has been simplified.

When we implement various regulations, we must address many questions related to market control and supervision. We are not the only ones facing the need to revise these issues: the European Union also needs to do this. Based on an agreement which sets out unified principles governing coordinated policies, supervision and control are today the purview of national bodies. However, we must address issues related to the parity of liability measures and to unified principles regarding supervision. After a year of working on the practical implementation of regulations, we can say that 14 technical regulations have gone into effect since



2012. Resolving these issues would alleviate many problems. That is why we are currently working on a unified approach.

We have realized that the development and adoption of technical regulations not only requires implementation of individual parameters, but also poses questions relating to production restructuring, testing, and so forth. We must revise a number of ministerial and departmental functions and responsibilities. It is a difficult and painful process, since many departments are balking at giving up various functions.

The development of regulations involves more than just technical product safety requirements: these days, it also includes veterinary, sanitary, and phytosanitary requirements. The technical regulations become a document that spans an entire range of requirements which must be applied to the development, manufacture, and supply of certain groups of products.

One issue on which we have been getting help from the business community is the development and revision of standards which support the technical regulations. On the one hand, we have voluntary technical regulation standards. On the other hand, we have a list of testing methodologies used to confirm compliance and evaluate various products. A decision was made to base these rules on interstate standards, rather than create new ones. And that was probably the right decision. In practice, however, a large number of standards are not in keeping with the times, and we must subject the entire set of regulations to serious revision.

There are currently 14 technical regulations in effect, each with its own standardization programme. These programmes involve reviewing regulations, working in tandem with administrative bodies, national committees, and the business community. The Russian Union of Industrialists and Entrepreneurs and various associations such as the Russian Union of Juice Producers and the Atameken Union have been taking an active role in developing these documents. Major expert associations can evaluate and draft documents which are in step with the times. This provides significant impetus for the development of interstate standardization and the revision of the entire set of regulations.

We have implemented a number of regulations together. In February, for example, we introduced an entire set of mechanical engineering regulations. On July 1, 2013, another set of seven regulations will go into effect: the main food safety regulations, as well as regulations related to food labelling, food additives, juices, oil and fat products, special nutrition, and grain crops. We are concluding the development of important documents such as milk and meat safety regulations: they have already been submitted for evaluation to the Interstate Council.

In terms of cooperation with the business community, I must note that a joint Belarusian, Kazakh, and Russian Advisory Council was formed, and technical regulations were developed, as part of the Eurasian Economic Commission's cooperation with the business community. Business coordinators have been appointed, and we are able to make important decisions with the help of experts at various levels, as well as leading specialists and business leaders. We hope that this Council will also play an active role in working on our technical regulation issues.

Thank you for your attention.

**A. Shokhin:**

Thank you, Mr. Koreshkov. Mr. Salamatov has a question.

**V. Salamatov:**

Thank you. I must note that, to the great credit of the Eurasian Economic Commission's work in this direction, the Minister and his representatives are personally involved in many seminars and meetings held in all three countries. This takes care of a great many questions. However, the business community has several tough questions for Mr. Koreshkov.

A huge number of opinions are voiced during the discussion preceding the adoption of a technical regulation. These opinions must be heeded as far as possible. But when it is time to make a decision, some requirements and requests get cast aside. This happened, for example, in the case of smartweed and ticks in relation to grain

crops. A compromise resulted in tough requirements, and the business community is very touchy about these sorts of things. What is the procedure for considering this position retroactively, after the regulations have been ratified?

And this is my second question. There is a list of Russian, Belarusian, and Kazakh interstate standards used for the purpose of confirming compliance. The Eurasian Economic Commission must provide regular free access to the text of these standards. Right now, this does not exist. This problem is a significant hurdle in the work of compliance confirmation bodies. How do you plan to overcome this problem?

I have one more question. The Eurasian Economic Commission recognizes that there is a problem whereby, despite unified technical regulations, the actions of the three state control and compliance supervision bodies are not regulated because they are all governed by national legislation, and there is no harmonization. You said you were working on this issue. When will the business community see this document?

I will now ask my last question. On May 31, an agreement was signed in Minsk between the Eurasian Economic Commission and Ukraine. At that time, Mr. Nazarov said that he was excited about the agreement that would eliminate technical barriers to trade, which was signed in December 2012. When will this document be ratified and go into effect?

Thank you for your answers.

**V. Koreshkov:**

Thank you.

If a regulatory document does not make somebody unhappy, it is not doing its job. If everyone is happy with a compulsory document we are developing, we must be doing something wrong: after all, our job is to streamline things and bring them into compliance. It is crucial that we find the right solution. To do that, we need input from the business community, and from experts we trust and can turn to for advice.

You mentioned a decision regarding grain crops. When we were working on grain crop regulation, the issue of smartweed, ticks, and so forth did come up. We decided to take a differentiated approach to these factors, to set a deadline – say, 2018 – by which we would review storage facilities, approaches, and procedures, and would implement the entire set of measures aimed at giving our product a competitive edge. We faced a similar problem when we transitioned to Euro 4 and Euro 5 fuel. In those cases, we also took a differentiated approach. We have to make a decision, not wait until everyone is in agreement.

With regard to supervision requirements, this issue concerns us. Today, the European Union is implementing two market control directives. We have conducted research, and are ready to work on an agreement. I think any day now we will be sending out our draft of an agreement that would unify liability measures and provide a consolidated supervision framework. We have a keen interest in accelerating this process: we have encountered various market control requirements, and business will turn to the place with fewer controls. There will be fewer problems, but also fewer protections.

As far as an agreement regarding technical obstacles to trade goes, we are working with Ukraine and other states to craft this document and to fine-tune procedural and implementation issues. We have petitioned all the governments to help speed up the ratification of this document. We have been assured that these issues will be solved in the near future. Based on our analysis, we predict that this process will draw to a close within the month.

The next issue was related to standards. There are two particular aspects involved in introducing standards. On the one hand, compulsory documentation must be accessible online. We oversaw this process, and I know that every document and every decision of the Customs Union's Commission is published on the website, and there are no restricted areas. At one time, some accreditation information was not available, but now everything is out in the open. When it comes to interstate and international regulatory documentation, all three countries are members of international standardization organizations.

As far as international standards go, three organizations – a Kazakh organization, a Belarusian organization, and one of the Russian organizations – have signed a joint agreement to develop a unified system for access to the full texts of documents. To access the databases, however, a person must create an account.

When it comes to informing individual states of these standards, the Interstate Council was not prepared for this volume of work. Signed interstate programmes alone will result in around 1,500 standards. During a recent meeting in Ufa, we looked at how to optimize the system for accessing information. I believe that the regulatory environment will improve very soon.

**A. Shokhin:**

Thank you for your detailed responses, Mr. Koreshkov.

Andrei Slepnev has joined us. Mr. Slepnev, please go ahead.

**A. Slepnev:**

Thank you, Mr. Shokhin.

The business community's opportunities and interests and the Customs Union: we have an easier time discussing this matter today than we did a year and a half to two years ago, when the whole thing was just beginning, because we can now point to results and figures. An analysis of figures for the first quarter of 2013 was published yesterday. We can now go on record with a number of qualitative conclusions directly related to the formation of the Customs Union and the Common Economic Space, and the impact they have had on business.

If we consider internal trade figures, we see a decrease of 9.7% in the first quarter, conditioned by a decrease in Russia's fuel and energy sales to its Customs Union partners. If we remove the fuel and energy component, which makes up around 30% of our trade, we see that the trade growth trends are gathering speed. This is related to Kazakhstan's export structure, the maintenance of positive trends in machinery and equipment exports from Belarus, and the continued growth of Russia's high-value-added product sales to its Customs Union partners. Many of

these products are experiencing substantial supply dynamics. In Kazakhstan, we are seeing qualitative results: new products the country had not previously manufactured are now being sold on our common market. These projects were originally designed for the Customs Union market. Tractors, for example, first appeared last year, and now, they are already being sold in the hundreds. Other projects include transport vehicles, railway equipment, and rolling stock. This means significant growth and new jobs at high-value-added businesses.

Another growing trend is for the Customs Union to siphon off trade with other CIS partners. The CIS market is seeing a considerable decrease in trade, exports, and imports. The business community is obviously showing its preference for intra-community trade which is subject to unified standards and encounters no customs barriers, and therefore incurs significantly fewer expenses.

We have analysed the situation, and we agree with the conclusions the US and the EU came to when they evaluated the effects of a future free trade zone between themselves. They estimated that the harmonization of technology regulations and the minimization of administrative barriers would be tantamount to the abolition of the 10–15% tariff currently levied on their mutual trade. The formation of the Customs Union is tantamount to abolition of the 10–15% tariff we used to pay for discrepancies in our technical procedures, for administrative customs barriers, and so forth. We can already see this first short-term effect on the economy, and it is continuing to grow.

The second important issue is the more long-term effect of building a much larger market, both in terms of geography and in terms of the number of consumers. Experts are holding active discussions on approaches to trade policy regulation aimed at maximizing added value produced within a specific territory: the Customs Union. Imports account for a large share of the global market, and creation of this kind of market significantly boosts this factor for the Customs Union. By pooling our resources, we can add more value to our products than we could before unification. Even Russia benefits from this, despite the size of its economy. Belarus and Kazakhstan benefit even more. We are very dedicated to increasing the competitive

edge of our products on the global market. With Russia entering the WTO, and Kazakhstan poised to join later, this becomes a practical issue.

While we are on the subject of the WTO, I can tell you that as an international entity, the Customs Union enjoys a great deal more weight than its individual members. The Customs Union must actively implement policies that befit the size of its economy. Those are the main short-term and long-term effects.

In practice, the Eurasian Economic Commission is working on issues such as customs tariffs, defence measures, and tariff regulation. We have set up effective market protection measures and minimized the potential risks of Russia's accession to the WTO. These measures address combine harvesters, light commercial vehicles, and other products. The business community can see specific actions and effective measures that fully comply with the World Trade Organization's rules.

In terms of our future goals, we have high hopes that this year the WTO will be able to sign a trade cooperation agreement including a range of regulations that have long been a hot topic in the business community. We have managed to implement some of them in the Customs Code articles on minimization of customs barriers. Others have still to be implemented. I think this agreement can be very useful.

Another goal we have set for ourselves is to improve the effectiveness of our customs tariff policies and law enforcement. The aim is to compensate for the decrease in our ability to regulate our customs tariffs caused by our accession to the WTO.

Thank you.

**A. Shokhin:**

Thank you, Mr. Slepnev.

We have time for one more question for Mr. Slepnev.

**D. Zusmanovich:**

Mr. Shokhin, I have a question and a request.

My name is Dmitry Zusmanovich, from the Keramist Corporation. I represent Ukraine's business community. A year ago, we met with Ms. Valovaya and talked about the need for Ukraine to join the Customs Union. The business community wants this to happen. Our corporation has a factory in Donetsk Region. We have tried to supply our products to Europe, and we do have companies here and there, but our primary markets are in Russia, Belarus, Kazakhstan, and Kyrgyzstan. Today, we are trying to figure out how to save our business, how to save the factory. I hate to say it, but the average salary of our factory employees is USD 300–350.

**A. Shokhin:**

Do you want Ukraine, the Ukrainian Government, to join the Customs Union? Ministers of the Eurasian Economic Commission are not liable for the decisions of the Ukrainian Government. You will have to talk about the benefits of joining back in your country. You can be our promoter, our activist.

Colleagues, we are venturing outside the topic of our briefing. I understand your frustration, but our colleagues from the Commission are ready to present the arguments, figures, and advantages. Key debates are taking place at all levels, right up to the President of Russia. We have been working on this for a long time.

**A. Slepnev:**

I have a small note on the subject of Ukraine. Whether or not it joins is a political question. In terms of the economy, things are more or less clear-cut. We need joint efforts to promote our trade regime and integration as part of a free trade zone, and to maintain a balanced rate of integration. The current problem is that trade conditions within the CIS are somewhat fixed, they are not evolving, and are considerably less competitive than trade conditions between members of the Customs Union. We have formats for the trade dialogue and the technical regulation dialogue. We must develop them further, sign specific agreements, and attain specific results.



**A. Shokhin:**

I would like to ask Mr. Reus to say a few words.

**A. Reus:**

Colleagues, I would like to address an initiative from the three entrepreneurial associations of Russia, Belarus, and Kazakhstan: the establishment of a centre that would study the integration processes. We would also like to add communications to the centre's purview. This centre is in the process of being set up.

Yesterday, I attended a very interesting panel that discussed the meaning behind current integration processes. What attracts me to this discussion is the fact that the world is currently understood to be organized along the lines of integrated systems and the interplay between them. This points to the need to define specific criteria that would allow us to evaluate our progress and determine whether our system is in line with the global model. This subject requires analysis and planning, as well as expert evaluation.

The second issue I would like to stress is that the point of any integration lies in how it will affect business, how much output will rise, and the conditions companies will face in the countries which are part of this integration process. Therefore, all our work must be conducted within the framework of a clearly organized dialogue with the business community. Communication in and of itself is more than a set of events. Many current meetings and discussions are going on right now which need to be switched into an organizational channel. Communication can be managed; it can be narrowed, widened, or destroyed. We need constant, clear, and organized communication that will ensure formalization, questions, and efficiency on every front.

I believe we must discuss the issue of a unified industrial policy that would regulate the integrated area: this discussion could provide tools for addressing or eliminating exemptions in a civilized way.

A set of discussions in this vein and expert conclusions approved by the business community will put us in a good position, one that will allow us to evaluate measures and decisions.

**A. Shokhin:**

Thank you.

Ms. Valovaya, do you have anything to add in terms of cooperation with the business community and the future of integration processes?

**T. Valovaya:**

I just have one request. We did announce that by September, we want to prepare a White Book laying out the exemptions from the four freedoms: the free movement of goods, services, capital, and labour. We cannot prepare this document without the help of the business community. So I have a huge favour to ask representatives of the business community: get involved in this process as actively as possible. This is very difficult work. But if you tell us what you think should be exempt from the perfect Common Economic Space arrangement, together we will be able to prepare a list and eliminate the obstacles which are really hindering us.

**A. Shokhin:**

Thank you.

I give the floor to the Chairman of the Eurasian Economic Commission, Viktor Khristenko.

**V. Khristenko:**

Thank you. I have a few things to add to Ms. Valovaya's remarks.

The first thing is technical. I spoke about this in Minsk, but not all of us were there that day. As agreed during an Advisory Committee meeting, virtual offices have been created on the website for all Advisory Committee members, each of whom have been given the tools they need to access them. These virtual offices must

serve as a tool for efficient cooperation: first and foremost to help compile the White Book.

As I understand it, the largest chapter in the White Book is currently dedicated to customs regulation issues, since this is the first major codified document, its many blanket regulations notwithstanding, which was discussed at great length as part of a special working group in Minsk, in which the business community was involved. In addition, I would suggest that the next Advisory Committee meeting be dedicated to the Customs Code.

**A. Shokhin:**

We can resolve to do that right now.

**V. Khristenko:**

Done.

**A. Shokhin:**

These crucial questions can also be raised as part of a plenary meeting. However, the Belarusian Investment Forum in Minsk has already done a great deal to mobilize the business community to discuss these issues. In autumn, we might convene the Advisory Committee. What do you think, Mr. Khristenko?

**V. Khristenko:**

It depends on you more than us.

I would like to see the results of the Advisory Committee's work on the White Book, including a large customs regulation chapter, presented at the next heads of state summit at the end of October. Correspondingly, we must plan to hold two Advisory Committee meetings before then.

**A. Shokhin:**

So in July and September?

**V. Khristenko:**

Yes, in July and September.

**A. Shokhin:**

Thank you.

I see that this topic has caught the attention of representatives of our three member countries, as well as many of our foreign guests. The Mexican Ambassador, for example, probably has an interest in our work in the context of forming the Transatlantic Trade and Investment Partnership or making certain adjustments to NAFTA. Our American colleagues probably want to know how serious we are about the integration process.

By the way, when the G8 met in Northern Ireland, Vladimir Putin backed the idea of creating regional unions like the Transatlantic Trade and Investment Partnership. As I understand it, he also had in mind support from our trade and investment partners, as well as our integration as part of the Common Economic Space and the Customs Union.

I think the more we work in this direction, the better we will understand each other. It is important that we stay informed about Transatlantic Trade and Investment Partnership and Trans-Pacific Strategic Economic Partnership negotiations. We will, in turn, share information on our website, as well as in open dialogue. We encourage you to continue to take part in these discussions.

Thank you.